



JOHN NAIMO  
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION  
500 WEST TEMPLE STREET, ROOM 525  
LOS ANGELES, CALIFORNIA 90012-3873  
PHONE: (213) 974-8301 FAX: (213) 626-5427

June 24, 2016

TO: Supervisor Hilda L. Solis, Chair  
Supervisor Mark Ridley-Thomas  
Supervisor Sheila Kuehl  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

FROM: John Naimo   
Auditor-Controller

SUBJECT: **CENTER FOR HEALTH JUSTICE, INC. – A DEPARTMENT OF PUBLIC  
HEALTH DIVISION OF HIV AND STD PROGRAMS PROVIDER –  
CONTRACT COMPLIANCE REVIEW**

We completed a contract compliance review of Center for Health Justice, Inc. (CHJ or Agency), which included a sample of transactions during Contract Years (CY) 2014-15 and 2015-16. In addition, we reconciled CYs 2012-13 and 2013-14 Cost Reports to their financial records at the request of the Department of Public Health, Division of HIV and STD Programs (DHSP). DHSP contracts with CHJ to provide Ryan White Comprehensive AIDS Resources Emergency Act services.

The purpose of our review was to determine whether CHJ appropriately accounted for and spent DHSP funds to provide the services outlined in their County contracts. We also evaluated the Agency's financial records, internal controls, and compliance with their County contracts and other applicable guidelines.

Our review covered two DHSP contracts with CHJ, for which DHSP paid the Agency approximately \$280,000 on a cost-reimbursement basis during CYs 2014-15 and 2015-16. CHJ provides services to residents of all Supervisorial Districts.

**Results of Review**

CHJ maintained adequate documentation to support the services provided to the clients reviewed. In addition, CHJ developed their Cost Allocation Plan using an appropriate cost allocation methodology, and their expenditures charged were allowable, properly

documented, and appropriately allocated. However, CHJ's CYs 2012-13, 2013-14, and 2014-15 Cost Reports did not always reconcile to their financial records. For example, CHJ's financial records did not support \$1,028 reported on their CYs 2012-13 and 2013-14 Cost Reports. In addition, CHJ did not obtain the approver's signature for 19 (90%) of the 21 non-payroll expenditures reviewed as required.

*CHJ's attached response indicates that the \$1,028 variance between their CYs 2012-13 and 2013-14 Cost Reports and their financial records was due to an upgrade to their financial system in 2014 and part of their CY 2012-13 data being corrupted. However, CHJ management needs to repay DHSP \$1,028 or provide adequate documentation to support the expenditures. CHJ's attached response also indicates that they will ensure that the Cost Reports reflect actual costs and are revising their procedures to ensure all protocols are followed.*

Details of our review, along with recommendations for corrective action, are attached (Attachment I).

### **Review of Report**

We discussed our report with CHJ and DHSP. CHJ's attached response (Attachment II) indicates general agreement with our findings and recommendations with the exception noted above. DHSP will work with CHJ to ensure that our recommendations are implemented.

We thank CHJ management and staff for their cooperation and assistance during our review. If you have any questions please call me, or your staff may contact Aggie Alonso at (213) 253-0304.

JN:AB:PH:AA:YP:sk

### **Attachments**

c: Sachi A. Hamai, Chief Executive Officer  
Cynthia A. Harding, M.P.H., Interim Director, Department of Public Health  
Kerry Ferguson, Board President, Center for Health Justice, Inc.  
Cajetan Luna, Executive Director, Center for Health Justice, Inc.  
Public Information Office  
Audit Committee

**CENTER FOR HEALTH JUSTICE, INC.  
DEPARTMENT OF PUBLIC HEALTH  
DIVISION OF HIV AND STD PROGRAMS  
CONTRACT COMPLIANCE REVIEW  
CONTRACT YEARS 2014-15 AND 2015-16**

**ELIGIBILITY**

**Objective**

Determine whether Center for Health Justice, Inc. (CHJ or Agency) maintained documentation to support the eligibility of clients that the Agency claimed received the Department of Public Health, Division of HIV and STD Programs (DHSP), Ryan White Comprehensive AIDS Resources Emergency Act (Ryan White) services.

**Verification**

We reviewed the documentation stored in the case files for eight (7%) of the 111 clients that CHJ claimed received Ryan White services during April through September 2015.

**Results**

CHJ did not maintain documentation, such as proof of HIV/AIDS diagnosis, to support the eligibility of one (13%) of the eight clients reviewed as required by Exhibit A, Section 10 of their County contract. Specifically, DHSP referred the client to CHJ and as such, was eligible to receive Ryan White services. However, CHJ was required to obtain proof of HIV/AIDS diagnosis to support the client's eligibility for Ryan White services.

**Recommendation**

1. **Center for Health Justice, Inc. management maintain documentation to support the client's eligibility.**

**PROGRAM SERVICES**

**Objective**

Determine whether CHJ maintained documentation to support the services charged to DHSP.

**Verification**

We reviewed the case files for eight (7%) of the 111 clients that the Agency claimed received DHSP services during April through September 2015.

**Results**

CHJ maintained documentation to support the services provided to the eight clients reviewed.

**Recommendation**

None.

**CASH/REVENUE**

**Objective**

Determine whether CHJ properly recorded revenue in their financial records, deposited cash receipts into their bank account timely, and if the bank reconciliation was prepared timely, and reviewed and approved by Agency management.

**Verification**

We interviewed CHJ's management, and reviewed their financial records and September 2015 bank reconciliation for one bank account.

**Results**

CHJ properly recorded revenue in their financial records, deposited DHSP cash receipts into their bank account timely, and the bank reconciliation was prepared timely, and reviewed and approved by CHJ management.

**Recommendation**

None.

**COST ALLOCATION PLAN/EXPENDITURES**

**Objective**

Determine whether CHJ developed their Cost Allocation Plan (Plan) using an appropriate cost allocation methodology, and if expenditures charged to DHSP were allowable, properly documented, and appropriately allocated.

**Verification**

We interviewed CHJ's personnel, and reviewed their Plan and financial records for 21 non-payroll expenditures, totaling \$6,490, that the Agency charged to DHSP during July 2014 through August 2015.

**Results**

CHJ developed their Plan using an appropriate cost allocation methodology, and their expenditures charged were allowable, properly documented, and appropriately allocated. However, CHJ did not obtain the approver's signature for 19 (90%) of the 21 non-payroll expenditures reviewed as required by the Agency's accounting policies and procedures.

**Recommendation**

2. **Center for Health Justice, Inc. management strengthen disbursement controls by ensuring all disbursements are approved by authorized personnel.**

**PAYROLL AND PERSONNEL****Objective**

Determine whether CHJ maintained personnel files as required and charged payroll expenditures to DHSP that were allowable, properly documented, and appropriately allocated.

**Verification**

We interviewed employees, and reviewed personnel files for four employees. We also compared the payroll expenditures for four employees, totaling \$10,574 for July 2015, to the Agency's payroll records and time reports.

**Results**

CHJ maintained personnel files as required and charged payroll expenditures to DHSP that were allowable, properly documented, and appropriately allocated.

**Recommendation**

**None.**

**COST REPORTS****Objective**

Determine whether CHJ's Contract Years (CY) 2012-13, 2013-14, and 2014-15 Cost Reports reconciled to their financial records, and if the Agency's administrative costs were within their contracts' ten percent limits.

**Verification**

We compared CHJ's CYs 2012-13, 2013-14, and 2014-15 Cost Reports to their financial records. We also determined whether CHJ's administrative costs were within their contracts' ten percent limits.

**Results**

CHJ's CYs 2012-13, 2013-14, and 2014-15 Cost Reports did not always reconcile to their financial records, and CHJ did not always comply with their County contract requirements. Specifically:

- CHJ's financial records did not support \$1,028 reported on their CYs 2012-13 and 2013-14 Cost Reports. We noted a similar finding in our prior monitoring report.
- CHJ's administrative costs exceeded one contract's ten percent limit in CY 2014-15. Although the total questioned cost was immaterial, CHJ needs to ensure that administrative costs do not exceed their contracts' ten percent limits.
- CHJ's financial records supported \$12,608 more than the total expenditures reported on their CYs 2012-13 and 2014-15 Cost Reports. There were no questioned costs because the Agency was not overpaid. However, the Agency should ensure that their Cost Reports are complete, accurate, and supported by their financial records.

**Recommendations****Center for Health Justice, Inc. management:**

3. **Repay the Department of Public Health, Division of HIV and STD Programs \$1,028 or provide adequate documentation to support the expenditures.**
4. **Ensure that administrative costs do not exceed the contracts' ten percent limits.**
5. **Ensure Cost Reports are complete, accurate, and supported by their financial records.**




June 3, 2016  
RE: Contract Compliance Review

There was a complete audit for HERR and TCM Contracts from April 14, 2014 to present (see attached Commencement Letter, Attachment 1). When the Auditors arrived and started their review, we had to immediately start retrieving records back to Contract Years 2012-2013. CHJ does not have an issue with retrieving these records, but we were not informed in advance and had to allocate extra time and resources to retrieve records back to 2012.

In response to Auditor recommendations:

1. Clients are referred to CHJ through the DHSP HIV Services Coordinator. This client must have been determined by DHSP to have an HIV/AIDS diagnosis or they would not have been referred to CHJ.
2. We are in the process of revising procedures to ensure all protocols are followed.
3. CHJ did an upgrade to our financial recording system in 2014, and part of the information and data for CY 2012-13 was corrupted. This was shared with the Auditor, [REDACTED]; she did acknowledge that there was a problem and made some adjustments, but did not adjust it all due to issues with our system (\$1,028).
4. CHJ has corrected this issue to insure contract percentage limits are maintained.
5. CHJ has corrected this issue to reflect actual costs for the program.

Sincerely,  
  
Cajetan Luna  
Executive Director

BOARD OF DIRECTORS

Kerry Ferguson, President  
Richard W. Presnell, MD

Bryon Woolley, JD, Vice-President / Treasurer  
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ADDRESS ALL CORRESPONDENCE TO:  
COUNTYWIDE CONTRACT MONITORING DIV  
350 S. FIGUEROA ST., 8<sup>th</sup> FLOOR  
LOS ANGELES, CA 90071-1102

August 27, 2015

Cajetan Luna, Executive Director  
Center for Health Justice, Inc.  
900 Avila Street, Suite 301  
Los Angeles, CA 90012

Dear Mr. Luna:

The Auditor-Controller's Countywide Contract Monitoring Division has scheduled a review of your Agency's compliance with the Department of Public Health Division of HIV and STD Programs (DHSP) contracts. As discussed, we plan to meet with your Agency and begin our fieldwork on **October 13, 2015 at 9:00 am** at your headquarters located at **900 Avila Street, Suite 301, Los Angeles, CA 90012**.

The purpose of our review is to determine your Agency's compliance with contract requirements. The review will cover the period April 1, 2014 to present for the following contract agreements:

Contract No.	Schedule No.	Service
PH000599	7, 8	Case Mgmt. - Transitional
PH001031	7, 8	HERR

To expedite the completion of our work, we request that the records and documents identified in Attachment A be available on October 13, 2015.

We have included a document that outlines the various phases of our review (Attachment B). We hope this document will provide you with a better understanding of our review process.

If you have any questions regarding this review, please contact me at [REDACTED]



Sincerely,



Attachment

c: [REDACTED] Audit and Fiscal Compliance Manager, DHSP